

MEMORANDUM

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THE WHITE HOUSE
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INFORMATION
On Libya
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MEMORANDUM FOR DR. KISSINGER

FROM: Robert M. Behr *Emb*
Harold H. Saunders *file*

SUBJECT: Paper on Possible Alternative Pressures on the Present
Libyan Regime--Summary and Critique

The question the President asked was whether there is any way we could create penalties that might deter the Libyan government from its leftward course.

The paper covers this ground:

1. It characterizes (page 1) the new Libyan government as insecure, inexperienced, xenophobic, perhaps divided but as yet without visible opposition.
2. It details US economic interests (page 1 and Annex A) in terms of the \$5 billion (replacement value) private oil investment, \$500 million in annual profits to US corporations and 25% of Western Europe's oil consumption which could not all be replaced from other sources until 1971. It concludes that Western Europe is too dependent on Libyan crude to refuse to buy. Only 8% of Libyan production comes to the US.
3. It describes (bottom of p. 2) our choice in developing a strategy toward the new Libyan government as between:
 - a. "policy of confrontation" and
 - b. "a policy which would involve some give on our part with a view to developing longer-term relationships with the new and still insecure regime." [State prefers this.]
4. It examines--and this is the bulk of the paper (pp. 3-9)--a collection of possible alternative pressures. [The paper concludes that most are unsatisfactory because the leverage is not predominantly on the US side.]

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Summary of the Alternatives: We recommend that you scan pages 3-9 but for the sake of simplifying, these options fall into the following categories:

1. Presence of US-UK bases. These options boil down to a series of delaying tactics and, hopefully, some NATO European (Turkey, West Germany) pressures on Libya to honor its base agreements. They culminate with the US requesting the support of European friends in breaking diplomatic relations with Libya if the regime refuses.
 - a. The argument for this approach is to see whether such pressures would widen splits within the regime.
 - b. The arguments against are that the regime in its present mood is unlikely to respond to this kind of pressure--especially NATO pressure--and that it is doubtful that West Germany and others would risk their economic interests to support us.
2. Economic pressures range through requesting US companies to curtail their offtake, advising US technicians to leave, cutting off US oil imports from Libya, restricting additional US investment, and freezing Libyan reserves in the US. There are specific arguments on each one of these in the paper (pp. 4-6) but in general they boil down to these:
 - a. The argument for is that oil income is the Libyan government's main source of income. Any move that effectively cut into this would cause Libyan concern, although Libya now has more income than it can use so it has some cushion.
 - b. The argument against is essentially that US companies would suffer more than the Libyan government. European companies are ready to replace American in marketing Libyan oil. The Libyan government could cause some disruption in foreign exchange markets by shifting its reserves suddenly.
3. Military actions range through a Sixth Fleet show of force off the Libyan coast and movement of troops (hopefully in concert with the UK) to hold training areas [REDACTED]

a. The argument for would be to make the regime uncertain about our intentions toward it [REDACTED]

b. The argument against is that we would have to prepare for longer term occupation if we intended a show of force beyond mere evacuation of Americans. This would provoke a sharp reaction in the Arab world and, within Libya, would not protect the farflung installations of US oil companies.

4. [REDACTED]

a. [REDACTED]

b. [REDACTED]

Comment:

1. It seems to us that the base-related and [REDACTED] political pressures would probably not work, and the leverage is on the wrong side for the economic pressures.

2. A landing of forces at Wheelus seems an option worth considering, but the longer they stayed the less able they would be to maintain the cover of evacuating Americans and the more vulnerable private oil installations would become.

3. We suggest an NSC briefing covering these points:

- ✓ a. The character of the Libyan regime.
- ✓ b. The US policy choice--confront or play along.
- ✓ c. The options available in a policy of confrontation and their risks.
- ✓ d. What we would have to do if we play along and the risks.

4. Dave Newsom seems the logical one to do the briefing. He knows Libya. He is the responsible Assistant Secretary. He is a good briefer.

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Subject: Possible Alternative Pressures on
Present Libyan Regime

A. Present Situation:

A small group of young Army officers (the RCC) has overthrown the Libyan monarchy. The political inclinations of this group are still unclear, and possibly varied. While the group has installed a civilian cabinet which includes two key members who violently disagree with our Middle East policy, it is still too early to state that either the RCC or the civilian government is fundamentally anti-U.S. For the moment it appears that latent Libyan xenophobia, which has spilled over into Libyan-U.S. relations in recent weeks, also characterizes the new regime's attitudes toward all foreigners.

Libyan policy emphasizes Libyan nationalism in internal matters while identifying itself closely with radical Arab positions internationally. The new government has threatened an important U.S. interest by renewing the demands, posed twice under the monarchy but reversed by the King, for the removal of the U.S. and British bases and facilities.

While there is no discernible opposition, the regime shows signs of insecurity and inexperience. It is particularly concerned about the eastern region, Cyrenaica, the power base of the Senussi monarchy, and rural areas of Tripolitania. Unless the Army should split, the national police, now effectively neutralized by the Army, represents the only possible counterforce. The former King has voluntarily moved to Egypt this month; the Crown Prince is in jail. Other possible contenders to the throne remain free but under surveillance in Benghazi.

The other major U.S. interest, the \$5 billion (replacement value) in oil investment, remains untouched for the moment. The regime has pledged respect for the oil agreements and has so far demonstrated this except in one case in which a company was closely tied to associates of the former King. We see no immediate threat to these interests, although such could result if the regime is threatened, or becomes increasingly unstable, or if there were a real confrontation over Wheelus, or in the event of renewed hostilities in the Middle East. While only 8 percent of Libya's 3 million bbls/day production comes to the U.S., 90 percent

[REDACTED]

[REDACTED]

is produced by twenty-eight American companies. Their activity netted the U.S. balance of payments \$680 million in 1968. Sales are principally to West Germany, the U.K., Italy and Spain; Europe is now dependent on Libya for 25 percent (3 million bbls/day of short-haul oil) of its oil requirements; if Libyan oil were cut off, the shortfall could not be made up within less than one year because of production and transportation problems.

B. Present U.S. Strategy:

Our present strategy is to seek to establish satisfactory relations with the new regime. The return to our balance of payments and the security of U.S. investments in oil are considered our primary interests. We seek to retain our military facilities, but not at the expense of threatening our economic return. We also wish to protect European dependence on Libyan oil; it is literally the only "irreplaceable" oil in the world, from the point of view both of quality and geographic location.

The Libyans have asked that we withdraw from Wheelus before December 24, 1971, the earliest date on which the present agreement could be allowed to expire. We plan an early response to the Libyan request in which we will agree to the principle of early withdrawal and propose detailed discussions. While there is no doubt that the removal of the base is, as it always has been, a popular local issue, at least some military officers in the RCC may be more interested in retaining our help in the creation of a Libyan air force and in an orderly transition. Their freedom of action may be limited by the intense popular feeling against our stand on the Arab-Israel issue. A change in the status of the base seems inevitable; our ability to secure an extension of the essential training facilities at Wheelus is now unclear. We have as yet, however, found no fully satisfactory alternative site(s) for this training. The British, too, are prepared to accept a change in the status of their facilities. They hope to remain the prime military supplier to the Libyans and to retain some training rights, however. The British have the advantage of less identification with Israel.

In developing our short-term strategy vis-a-vis the new Libyan government, we have a choice between a policy which is essentially that of confrontation and a policy which would involve some give on our part with a view to developing longer-term relationships with the new and still insecure regime. In general, we opt for the latter.

[REDACTED]

C. Alternative Pressures:

In response to the request of the WSAG the following possible alternative pressures on or against the regime are set forth. They are not mutually exclusive; they could be applied single or in combination. Because of the generally increased risk each would pose to our economic interests in Libya, because almost any one of them would place our broader interests in jeopardy throughout the Arab world, and because some of them would threaten Europe's dependence on Libyan oil, none of the alternatives is recommended at this time. Annexes exploring in greater detail the practical implications of economic pressures, military actions, and covert activities are attached.

1. Possible Immediate Pressures:

a. Delay a reply to the note on Wheelus or reply in the negative.

PRO: Could create uncertainty in RCC and cabinet regarding our intentions; might effect split among them. Might delay further action on their part because of fear of our real designs.

CON: More likely, that delay would lead regime to open campaign in streets against U.S. and base. Cairo and probably the USSR would support campaign and attack U.S. position. Street campaign could pose serious threat to safety of U.S. community, investment, base and Embassy; this, in turn, would necessitate some form of protection of each.

b. Enlist NATO countries to express concern over premature departure from U.S. and U.K. bases.

PRO: Certain NATO countries such as Turkey and West Germany have more leverage than we in Libya. Their expressed concern over future security of NATO area and Libya without bases might have an impact on RCC. Fact that U.S. and U.K. not alone in this concern might slow down demands for withdrawal.

CON: Idea of NATO pressure has always produced strong adverse reaction in Libya. Present Libyan PM led fight in 1967 to cut off oil shipments to West Germany. He could do so again. It is doubtful that West Germany and others would risk strategic economic interests to support us.

c. Insist that Libyans honor their international agreements as they have assured all concerned they would; if they refuse, break diplomatic relations in reaction to a clear contravention of their earlier assurances. Seek support of European friends in doing so.

PRO: If successful, this might cause regime to re-think pressures on us for an early withdrawal. RCC has been conscious of its international image. [REDACTED]

CON: Such action would rob us of access to the new regime at a critical time. It would undoubtedly result in further agitation against U.S. citizens and installations unless the military regime was sufficiently concerned about public disorders of any kind to prevent them. It would probably be welcomed by the more extreme elements in the country.

2. Pressures on Libyan Economy:

a. Request the American companies to curtail their oil offtake from Libya.

PRO: Assuming legal means could be found to induce voluntary cooperation by the companies concerned, this would strike at Libya's main resource and all-but-exclusive source of public revenues and foreign exchange.

CON: The large number of U.S. companies involved would make voluntary compliance difficult. Since many are small and without alternative sources to meet their European contract commitments, and since the major producers are non-vertically integrated, they have less flexibility than elsewhere in the Arab world. At present neither the concessions nor the Libyan government associates the base and the oil issues. Such an association could lead to greater threat of nationalization. Libya would probably retaliate by cancelling concessions. Physical attacks on Americans and American property could not be ruled out. It would be likely to harden, not soften, the regime's position on the base. Furthermore, the Libyan government itself has been concerned about the spectacular growth in offtake; it might prefer to slow the depletion of a wasting and limited (twenty years at present rate of production) asset.

b. Advise U.S. technicians to leave because of unsettled conditions.

PRO: If properly timed and plausible, this could have an impact on Libyan regime. Libyan oil is largely [REDACTED]

dependent on U.S. technology. In 1967 the Libyans went to great lengths to retain and protect U.S. technicians.

CON: If perceived as a political act, such a move could backfire. The Libyans could readily seek and obtain Eastern Bloc and other nationals to operate U.S. properties--if they did not also seize the properties. It is doubtful that, in such circumstances, this would moderate the regime. It would unquestionably lead to great difficulties for U.S. firms operating in Libya.

[The following alternatives might not be legally possible except under the Trading with the Enemy Act. They are listed for completeness and in the event that they should be further explored.]

c. Cut off oil imports from Libya.

PRO: This would demonstrate U.S. displeasure without as great a risk of serious consequences as "a."

CON: Since only 8 percent of Libyan oil comes to the U.S., the economic effect would be minimal. Such action would provide a basis for anti-American agitation without at the same time encouraging the regime to greater moderation.

d. Place additional restrictions on U.S. investment in Libya.

PRO: This might have some effect on the expansion of U.S. investment in Libya and hence induce greater moderation.

CON: It is doubtful that this would have sufficient impact to make the regime substantially more tractable. U.S. companies have already shown some hesitancy to expand investment because of the uncertain political situation; this has had a beneficial effect on the regime's attitude. If such hesitancy were given an official cast, however, the effect could be the opposite. Furthermore, most oil investment in Libya has been financed on the Eurodollar market.

e. Threaten to freeze Libyan reserves in the U.S.

PRO: Libya keeps \$150 million in short-term securities and banknotes in the U.S. A quiet threat to freeze these if legally possible would have an impact and

might make the regime more tractable.

CON: Libya would probably retaliate against U.S. interests by seizing properties. The risk of such an action would seem too great to justify its use solely in retaliation to the demand for base evacuation. Furthermore, Libya holds so substantial a proportion of its exchange reserves in dollar form only at our request and to meet our balance of payments problems; under the circumstances such action would be an unfortunate signal to other countries which have been responsive to similar requests. The Libyan government now maintains its foreign exchange reserves (\$539 million in 1968) almost entirely in gold, dollars and sterling. Its potential for disrupting foreign exchange markets by sudden switching is not entirely negligible.

3. Military Action:

a. Use units of the Sixth Fleet to make a show of force off the Libyan coast.

PRO: This might demonstrate to the Libyans our displeasure at recent events. It would serve to underscore the importance we attach to our interests in Libya.

CON: A show of force, to be effective, would have to be followed by other actions; use of the Sixth Fleet in this way at the present time would have serious political consequences elsewhere in the Middle East; in retaliation the Libyans might invite the Soviet Mediterranean Fleet to call at Libyan ports.

b. In concert with the British move sufficient troops into facilities and training areas to hold these areas on grounds that we need to protect lives and property. We would at the same time make pledge of noninterference so long as U.S. lives and properties were not disturbed.

PRO: We could do this under present agreements which permit us freedom of movement of troops into our agreed areas. Placing of troops would enable us to move them out to protect lives and installations elsewhere in the country. It would make the regime uncertain regarding our subsequent intentions and secure us full use of our facilities. Given sufficient force and airlift it could provide the means for preventing mob action against our people and installations, particularly away from urban areas. It would give heart to our friends such as Tunisia and Morocco.

CON: British agreement to such a scheme would be doubtful. We would have difficulty in getting overflight rights from Europe (and possibly even from Tunisia and Morocco) for a massive troop lift. It would undoubtedly mean long-term occupation by combat forces of these facilities. We would risk serious criticism from most of the rest of the world and be giving away a substantial propaganda weapon. Even with forces in our facilities we could not guarantee the safety of all our citizens and investments. We would be undertaking drastic action for short-term gain, but incurring serious longer-term costs. Finally, and under the best of circumstances, we could not legally maintain troops at the facilities beyond 1971.

c. If the British were not prepared to cooperate, a unilateral U.S. landing at Wheelus, El Uotia (the range south of Tripoli) and Matratin (U.S. Coast Guard station near the major oil fields).

PRO: This would be a feasible operation, with the same advantages as "b" above.

CON: It would leave U.S. citizens and investments more exposed in eastern Libya. It would leave us politically exposed. Lack of British cooperation would further complicate overflight problems.

4.

a.

[Pages 11-12 not declassified]

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